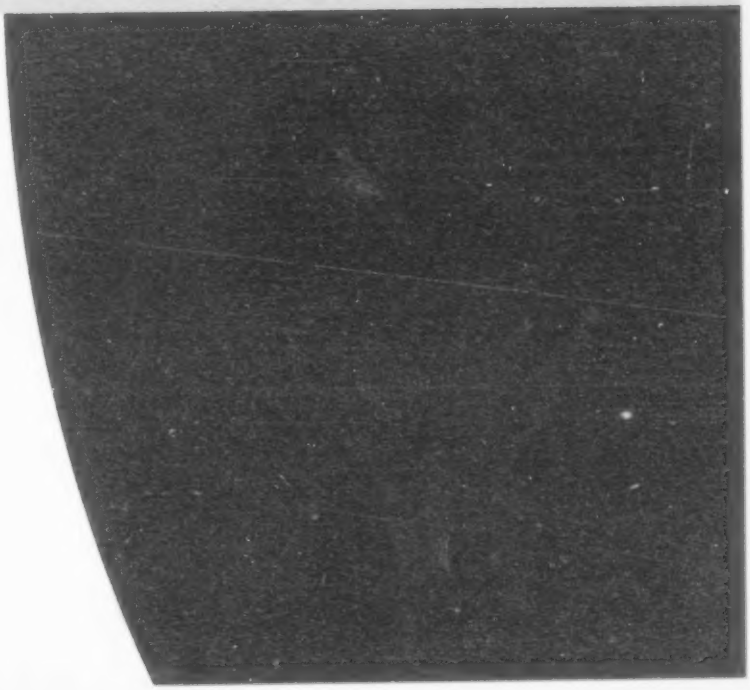
Capital
Pension Plan

2004

Capital Pension Plan
Annual Report



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Financial Statements

Our Mission.....

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build their retirement savings.

Our Vision.....

To be the preferred pension plan for members and employers.

Our Values.....

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

Our Mission.....

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build their retirement savings.

To: The Members of the Capital Pension Plan

As Chair of the Pension Board for the Capital Pension Plan, I am pleased to present the Annual Report and audited Financial Statements for the fiscal year ending December 31, 2004.

The past year was very rewarding for the Capital Pension Plan. The Plan initiated the Capital*Connect* Project in 2003 with a goal to introduce a new pension administration system, replacing the Plan's current system which has become outdated. Development of the new pension administration system through the Capital*Connect* Project progressed throughout the year. Project requirements and targets were established. Customization needs were determined and provided to the vendor, CPAS Systems Inc. Successive system builds were delivered throughout 2004 and tested by Plan administration to ensure Plan requirements were fulfilled. A conversion strategy to move member information to the new system was developed and thoroughly tested. Full implementation of the new pension administration system is anticipated in 2005.

Solid equity investment performance in Canada and the U.S. had a positive impact on the Plan's Diversified Fund. The Diversified Fund posted a net return of 10.85% as at December 31, 2004 (after all expenses were deducted). Capital's Pre-Retirement Fund provided an annual rate of return of 2.12% for the same period, which is in line with the benchmark and expected return for the Fund.

In closing, I would like to acknowledge the commitment of my fellow Pension Board members who have worked to ensure the successful operation of the Capital Pension Plan. I would also like to thank our investment managers, asset consultant, custodian and the Plan's administration staff for their hard work during the past year.

Sincerely,

Harvey E. McEwen
Board Chair, Capital Pension Plan

Capital Pension Plan Board Members

Harvey McEwen, Chair
Capital Pension & Benefits Administration
Retired
Sub-committees
Investment

Ken Klein
Capital Pension & Benefits Administration
Sub-committees
Investment
Governance

Robert Wiebe
Saskatchewan Watershed Authority

Ron Cameron
Saskferco Products Inc
Subcommittees
Audit (Chair)
Governance
Investment

David Olsen
CEP Local 911
JSM Canada

Kevin Taylor
Saskatchewan Government Insurance
Subcommittees
Audit
Governance

Micheal McPherson
Saskatchewan Housing Authorities
Subcommittees
Governance (Chair)

Don Axtell
Crown Investments Corporation
Subcommittees
Investment (Chair)
Audit

Larry Sheffer
Canadian Office & Employees' Union
Local 397

Our Mission.....

Capital Pension Plan Board Members

Harvey McEwen
Chair

Kevin Taylor

Ken Klein

Micheal McPherson

Robert Wiebe

Don Axtell

Ron Cameron

Larry Sheffer

David Olsen

Investment Managers and Service Providers

Investment Managers - Diversified Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Lincluden Management Limited
Oakville, Ontario

State Street Global Advisors
Toronto, Ontario

Tweedy Browne Company LLC
New York, New York

Investment Manager - Pre-Retirement Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Investment Manager - Retirement Annuity Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Asset Consultant

James P. Marshall, a Hewitt Company
Regina, Saskatchewan

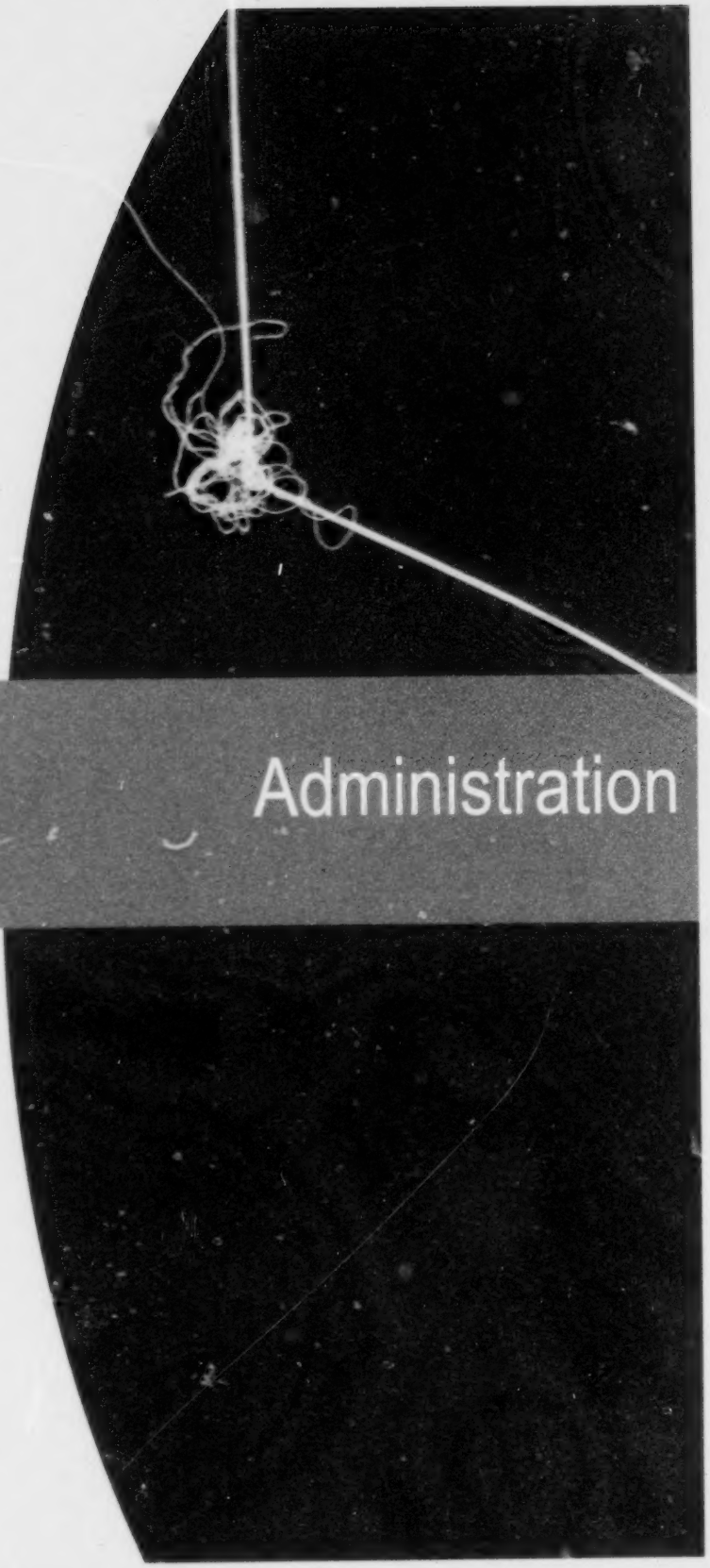
Custodian

Royal Trust
Calgary, Alberta

Auditors

KPMG LLP
Regina, Saskatchewan

Capital
Pension Plan



Administration

Investment Managers and Service Providers

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Lincluden Management Limited
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Custodian

Royal Trust
Calgary, Alberta

Auditors

KPMG LLP
Regina, Saskatchewan

Capital
Pension Plan

Administration

Our Vision.....

To be the preferred pension plan for members and employers.

The Capital Pension Plan Board is committed to practicing sound governance principles. The Board strives to provide effective plan management in a cost effective manner, that contributes to the retirement goals of the membership.

The Capital Pension Plan is a defined contribution plan. There is a direct relationship between the value of a member's individual equity account and the amount of pension received at retirement. The value of an individual's benefit at retirement is affected by:

- the value of member and employer contributions to the Plan;
- the length of time contributions are received on behalf of a member;
- the length of time funds are permitted to grow within the Plan;
- the member's age at retirement; and
- the investment performance of the Plan's investment funds.

With the exception of investment performance, the above factors are beyond the direct control of the Capital Pension Plan Board. The Pension Board monitors the Plan's investment performance at least quarterly.

The Capital Pension Plan's Diversified Fund is designed to provide long-term capital growth within acceptable levels of investment risk. To mitigate risk, the Pension Board incorporates diversification in asset mix, investment manager and investment management style.

The Board recognizes that members' tolerance towards investment risk may diminish as retirement approaches. To this end, the Pre-Retirement Fund was created in 1994 and designed to preserve capital over the short-term. The Pre-Retirement Fund invests solely in money-market investments. Participation in the Fund is restricted to Plan members who are within 5 years of their earliest possible retirement date.

To set their overall retirement goals and meet their objectives, Plan members require current information about their pension plan in a timely manner. The Capital Pension Plan's communication practices extend beyond legislated communication minimums. In addition to their Annual Member's Statement, each Plan member receives a minimum of three issues of *the Capital Report*, the Plan's newsletter which is mailed directly to the member's last known home address on file with the Plan. Members also have access to the Plan's website at www.capitalpension.com. The website is updated at least weekly and provides timely information about investment performance,

Our Vision.....

The Capital Pension Plan's Diversified Fund is designed to provide long-term capital growth within acceptable levels of investment risk. To mitigate risk, the Pension Board incorporates diversification in asset mix, investment manager and investment management style.

The Board recognizes that members' tolerance towards investment risk may diminish as retirement approaches. To this end, the Pre-Retirement Fund was created in 1994 and designed to preserve capital over the short-term. The Pre-Retirement Fund invests solely in money market investments. Participation in the Fund is restricted to Plan members who are within 7 years of their earliest possible retirement date.

To meet their overall retirement goals and meet their objectives, Plan members require current information about their pension plan in a timely manner. The Capital Pension Plan's communication practices extend beyond legislated communication minimums. In addition to their Annual Member's Statement, each Plan member receives a minimum of three issues of the *Capital Report*, the Plan's newsletter which is mailed directly to the member's last known home address on file with the Plan. Members also have access to the Plan's website at www.capitalpension.com. The website is updated at least weekly and provides timely information about investment performance.

explanations about Plan provisions and access to annual reports. The Plan also publicizes an inquiry email address and telephone number for members to obtain information about their own equity account.

2004 Highlights

Mission, Vision & Values

In 2004, the Capital Pension Plan Board finalized the Plan's mission, vision and values statements.

Mission: we are a professionally managed, service oriented defined contribution pension plan committed to helping our members build their retirement savings.

Vision: To be the preferred pension plan for members and employers.

Values: The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

Efforts will continue throughout 2005 to incorporate the mission, vision and values into the Plan's governance structure and operation.

The Capital*Connect* Project

The development of the new pension administration system through the Capital*Connect* Project progressed throughout 2004. A business change strategy and a comprehensive testing plan was developed. Components of the new system were delivered through several builds. Each build was thoroughly tested to ensure that the required system customization was delivered and process requirements were met. Implementation of the new system will occur in 2005.

Stakeholder Surveys

The Capital Pension Plan has been committed to regular, effective communication for many years. Communication practices have largely focussed on describing plan provisions and reporting investment performance. In 2004, preliminary work began on a comprehensive communication policy and corresponding strategy that:

- supports the Plan's mission, vision and values statements;
- is in accordance with industry best practices as outlined in the Guidelines for Capital Accumulation Plans, developed by the Joint Forum of Financial Market Regulators; and
- meets the needs of plan members and participating employers.

In June, a survey of the Plan's participating employers was conducted. Employers were asked to indicate their level of satisfaction with and provide their comments and preferences regarding the Employer Advisory Meetings, the Plan's employer and member communication initiatives and service received from the Plan. Survey results were presented to the Board during the fall meetings.

In October, a survey of the Plan's membership was conducted. Members were asked to provide information regarding their retirement attitudes, utilization of the Plan's communication material and their perceived knowledge of Plan provisions. Survey results will be presented to the Board in early 2005.

Accomplishments for 2004

During 2004, the Capital Pension Plan fulfilled each of its goals outlined in the 2003 Annual Report:

- the Plan provided competitive returns, earning a rate of return of 10.85% for the Diversified Fund and 2.12% for the Pre-Retirement Fund;
- the Plan's mission, vision and values statements were finalized;
- participation in the development and adoption of the Crown Investment Corporation Privacy Policy;
- the Capital Pension Plan obtained three additional participating employers;
- continued development and testing of the new pension administration system through the Capital*Connect* Project;
- continued examination of appropriate Board structures and procedures.

Challenges for 2005

The Plan has identified the following goals for 2005:

- continue to provide competitive investment returns;
- development of a comprehensive communication policy and accompanying strategy;
- continued development and refinement of governance structures and processes;
- continued testing and implementation of the new pension administration system through the Capital*Connect* Project.

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Accomplishments for 2004

During 2004, the Capital Pension Plan fulfilled each of its goals outlined in the 2003 Annual Report:

- the Plan provided competitive returns earning a rate of return of 10.83% for the Diversified Fund and 2.12% for the Pre-Retirement Fund;
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- development of a comprehensive communication policy and accompanying strategy;
- continued development and refinement of governance structures and processes;
- continued testing and implementation of the new pension administration system through the Capital*Connect* Project.

Our Values.....

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan. The Plan's purpose is to provide employers with a cost and tax effective method of providing their employees with a means to systematically save for retirement. The Plan currently has more than 60 participating employers, including private corporations, labour unions, Crown corporations and other selected organizations. There are over 7,000 members in the Plan.

The Plan sponsor is the Crown Investments Corporation of Saskatchewan (CIC). Overall direction is provided by the Pension Board. The Plan sponsor appoints representatives to the Pension Board from participating employers.

The Capital Pension Plan can consider the membership of any employer interested in joining the Plan. In order to participate in the Plan, an employer must adopt the Plan by resolution of its Board of Directors.

Participating employers can determine the eligibility criteria for their employees. Typically, full-time employees become eligible to contribute to the Plan immediately or upon completing a probationary period. Part-time employees may be required to meet certain minimum employment criteria before becoming eligible to contribute to the Plan.

Vesting

Vesting refers to the point in time when a member becomes entitled to all past and future contributions made by their employer on their behalf. Contributing members of the Capital Pension Plan become vested at the earlier of:

- the completion of 2 years of continuous employment service with a participating employer (employers may establish a period of less than 2 years); or
- the date of the member's death; or
- the date the member turns age 65.

Members that terminate employment prior to becoming vested forfeit their right to the employer's contributions made on their behalf.

Contributions

Both participating employers and contributing members make required contributions to the Plan. Member and employer contributions are directed to an account in the member's name. Contributing members make required contributions to the Plan based on a percentage of their individual earnings. Participating employers are required to make a contribution on behalf of each of their active members in an amount at least equal to the member's contribution, unless a higher contribution rate is established by resolution.

Contributing members may choose to make additional voluntary contributions to the Plan. Participating employers are not required to make contributions with respect to such voluntary contributions. Contributions to the Capital Pension Plan are subject to maximum contribution limits set in the *Income Tax Act* (Canada).

Transferring Equity to the Capital Pension Plan

Members may transfer equity from previous pension plans to the Capital Pension Plan. If a reciprocal agreement exists, service from the previous pension plan may be recognized as well. Members may also transfer funds currently held in RRSPs to the Capital Pension Plan.

Locked-in Equity

Members' equity is categorized as either locked-in or non locked-in. Locked-in equity can be used only to provide pension income at retirement and cannot be withdrawn from the Plan as cash upon termination of employment.

Required employee and employer contributions become locked-in when the member becomes vested in the Plan. Funds transferred to the Plan on a locked-in basis (i.e. from other pension plans) remain locked-in.

Voluntary contributions and funds transferred to the Plan from RRSPs cannot be withdrawn as long as the member is employed with a participating employer.

Non Locked-in Equity

Once a member terminates employment, voluntary contributions and funds transferred to the Plan from RRSPs may be left in the Plan, withdrawn as cash (with tax withheld), or transferred back to an RRSP.

For Saskatchewan members enrolled in the Plan prior to January 1, 1994, a portion equivalent to 50% of the member's required employee contributions (with earnings thereon) made to the Plan prior to January 1, 1994 is categorized as non locked-in equity.

Retirement

Members may use their equity from the Capital Pension Plan to provide pension income when:

- the member turns age 50; or
- the member's age plus pensionable service equal 75.

Members may defer receipt of pension income up to the end of the calendar year in which they turn age 69.

Our Values.....

Vesting

Contributions

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- the member turns age 50; or
- the member's age plus pensionable service equal 75.

Members may defer receipt of pension income up to the end of the calendar year in which they turn age 69.

Pension Income Options

At retirement, members convert their Capital Pension Plan equity to pension income through the purchase of a retirement income vehicle as prescribed in the legislation and/or regulations in each jurisdiction. Saskatchewan members of the Capital Pension Plan have the option to purchase one or a combination of the following options:

- a Life Annuity from the Retirement Annuity Fund (RAF), operated by the Capital Pension Plan or from a life insurance company; or
- a Registered Retirement Income Fund, subject to the prescribed guidelines in the *Pension Benefits Regulations (1993)* for Saskatchewan.

Pension options available to Capital Pension Plan members employed in a jurisdiction other than Saskatchewan when they make their last contribution to the Plan include:

- the purchase of a Life Annuity from the Retirement Annuity Fund (RAF), operated by the Capital Pension Plan or from a life insurance company, or
- the purchase of a Life Income Fund (LIF), where applicable; or
- the purchase of a Locked-in Retirement Income Fund (LRIF), where applicable.

The amount of pension income a member receives at retirement depends on:

- the pension income option(s) the member chooses;
- the investment returns earned by the funds, if applicable;
- the age of the member; and
- the age of the member's spouse, if applicable.

Survivor Benefits Prior to Retirement

In the event of a member's death prior to retirement, the Plan provides a survivor benefit to the member's surviving spouse or designated beneficiary. The value of the benefit is equal to the member's equity.

If the member has a spouse, the spouse may, in the event of the member's death:

- leave the equity in the Plan; or
- transfer the equity to a Locked-in Retirement Account (LIRA); or
- purchase a pension income product, regardless of the spouse's age.

If the member does not have a spouse, the member's equity is paid to the designated beneficiary(ies) or the member's estate as a lump sum (tax withheld).

Survivor Benefits After Retirement

The survivor benefits payable in the event of the member's death after retirement depend on the pension income option(s) chosen.

Administration Cost Summary

Day to day administration is performed by the Capital Pension and Benefits Administration. The Plan is administered on a cost-recovery basis. Administrative expenses are deducted from the Plan's earnings prior to the allocation of investment returns to members' individual equity accounts. Administration expenses are generally allocated to the investment funds based on the market value of the Fund, although some costs are fixed and do not vary depending on the Fund's market value.

The overall management expense ratio (MER) for the Plan is approximately 0.32% or 32 basis points of the Plan's total market value. There was an increase in administration costs for the Diversified Fund and decreased costs for the Pre-Retirement Fund and Retirement Annuity Fund for 2004. The overall MER for the total Fund for 2004 is slightly lower than 2003 (0.34% for 2003) largely due to the increase in market value of the investment funds.

Incurred development costs for the Capital*Connect* Project were capitalized during 2004. Amortization of these costs will begin in 2005 once the system is implemented.

Administration Expenses

(thousands of dollars)

	Diversified Fund		Pre-Retirement Fund		Retirement Annuity Fund		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Investment Management Fees	**$1,358**	$1,170	**$6**	$14	**$32**	$29	**$1,396**	$1,213
Custodial Service Fees	**$95**	$66	**$3**	$4	**$5**	$5	**$103**	$75
Investment Performance & Consultant Fees	**$70**	$64	**$1**	$1	**$3**	$3	**$74**	$68
Actuarial Services	**--**	--	**--**	--	**$11**	$11	**$11**	$11
Auditor's Fees	**$14**	$13	**$2**	$2	**$6**	$6	**$22**	$21
General Administration*	**$703**	$693	**$10**	$19	**$0****	$107	**$713**	$819
Total	**$2,240**	$2,006	**$22**	$40	**$57**	$161	**$2,319**	$2,207

*General administration includes costs for computer systems, salaries and benefits, office rentals, supplies, etc.
**Actual expenses for General Administration for the Retirement Annuity Fund were $74,000 (rounded to the nearest thousand). These expenses were offset by $74,000 due to a reimbursement of legal fees received in 2004.

Pension Income Options

At retirement, members convert their Capital Pension Plan equity to pension income through the purchase of a retirement income vehicle as prescribed in the legislation and/or regulations in each jurisdiction. Saskatchewan members of the Capital Pension Plan have the option to purchase one or a combination of the following options:

- a Life Annuity from the Retirement Annuity Fund (RAF), operated by the Capital Pension Plan or from a life insurance company; or
- a Registered Retirement Income Fund subject to the prescribed guidelines in the *Pension Benefits Regulations* (1993) for Saskatchewan.

Pension options available to Capital Pension Plan members employed in a jurisdiction other than Saskatchewan when they make their last contribution to the Plan include:

- the purchase of a Life Annuity from the Retirement Annuity Fund (RAF), operated by the Capital Pension Plan or from a life insurance company; or
- the purchase of a Life Income Fund (LIF), where applicable; or
- the purchase of a Locked-in Retirement Income Fund (LRIF), where applicable.

The amount of pension income a member receives at retirement depends on:

- the pension income option(s) the member chooses;
- the investment returns earned by the fund(s), if applicable;
- the age of the member; and
- the age of the member's spouse, if applicable.

Survivor Benefits Prior to Retirement

In the event of a member's death prior to retirement, the Plan provides a survivor benefit to the member's surviving spouse or designated beneficiary. The value of this benefit is equal to the member's equity.

In the event of the member's death, the spouse or, in the event of the member's death:

- leaves the capital in the Plan; or
- transfers the equity to a Locked-in Retirement Account (LIRA); or
- purchases a pension income product, subject to the spouse's age.

If the member does not have a spouse, the member's equity is paid to the member's beneficiary or estate (whichever is required by law) in a lump sum payment.

Survivor Benefits After Retirement

points of the Plan's total market value. There was an increase in administration costs for the Diversified Fund and decreased costs for the Pre-Retirement Fund and Retirement Annuity Fund for 2004. The overall MER for the total Fund for 2004 is slightly lower than 2003 (0.34% for 2003) largely due to the increase in market value of the investment funds.

Incurred development costs for the Capital Power Project were capitalized during 2003. Amortization of these costs will begin in 2005 once the system is implemented.

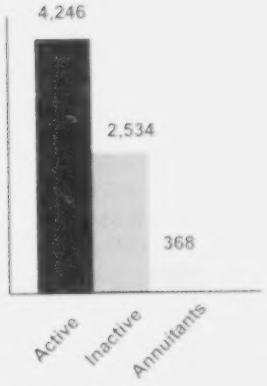
Administration Expenses

(thousands of dollars)

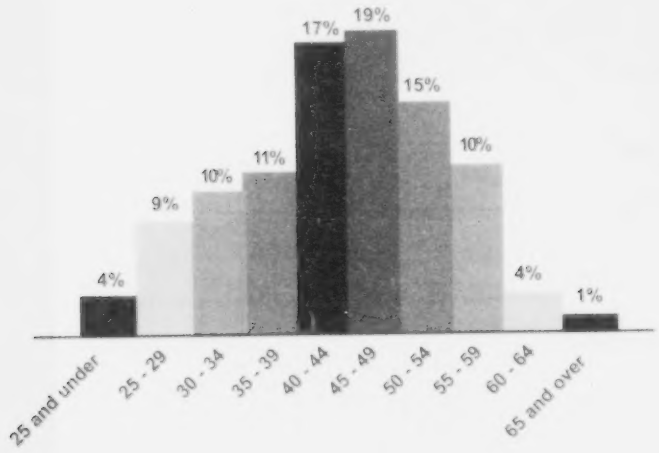
	Diversified Fund		Pre-Retirement Fund		Retirement Annuity Fund		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	$1,358		$6		$32	$29	$1,396	$1,213
	$99		$3		$5	$5	$103	$75
	$70		$1		$3	$3	$74	$68
	–				$11	$11	$11	$11
	$14		$2		$6	$6	$22	$21
	$703		$10		$8**	$107	$713	$819
	$2,240		$22		$57	$161	$2,319	$2,207

Membership Statistics

The Plan currently has more than 60 participating employers, including private corporations, labour unions, Crown corporations and other selected organizations. At December 31, 2004, the Capital Pension Plan had 7,148 members, representing a net membership increase of 108 members from 2003.



Membership Demographics
December 31, 2004



Capital
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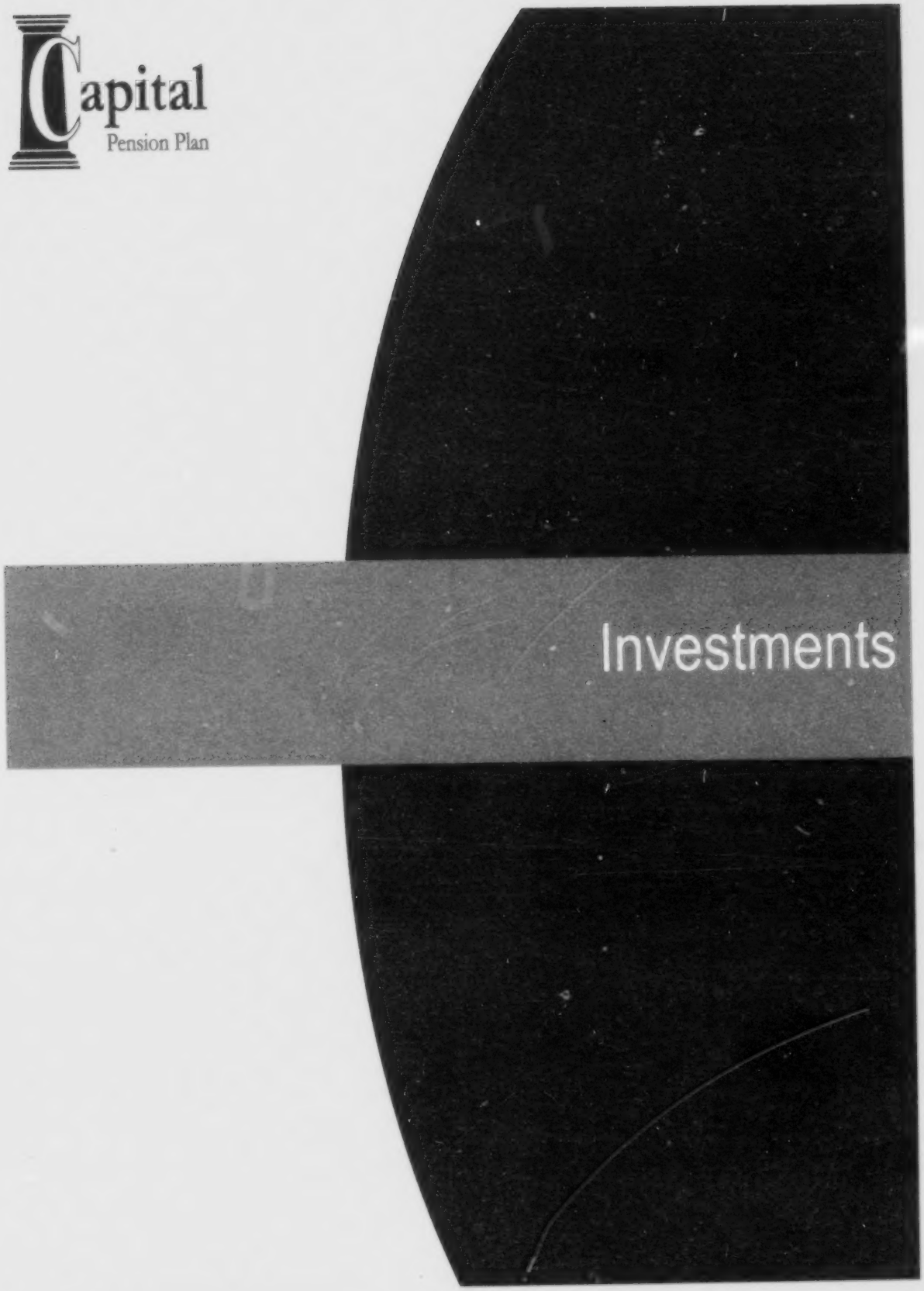

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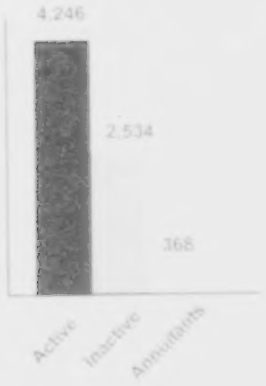

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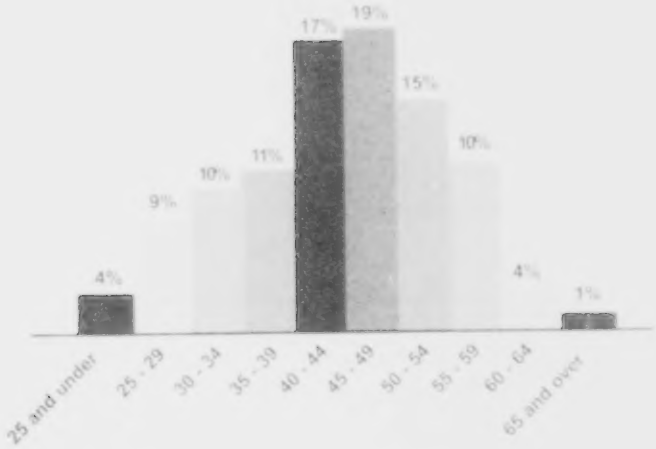
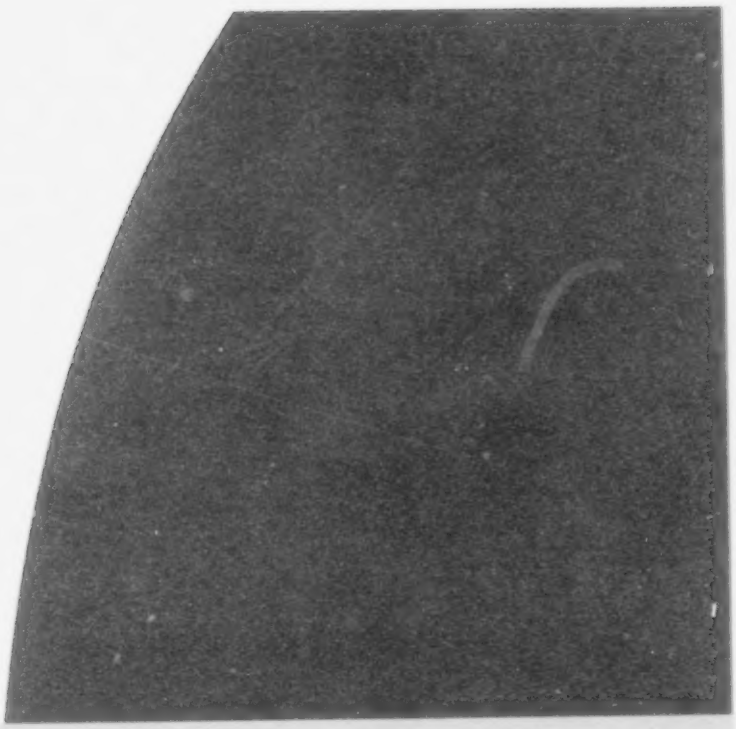
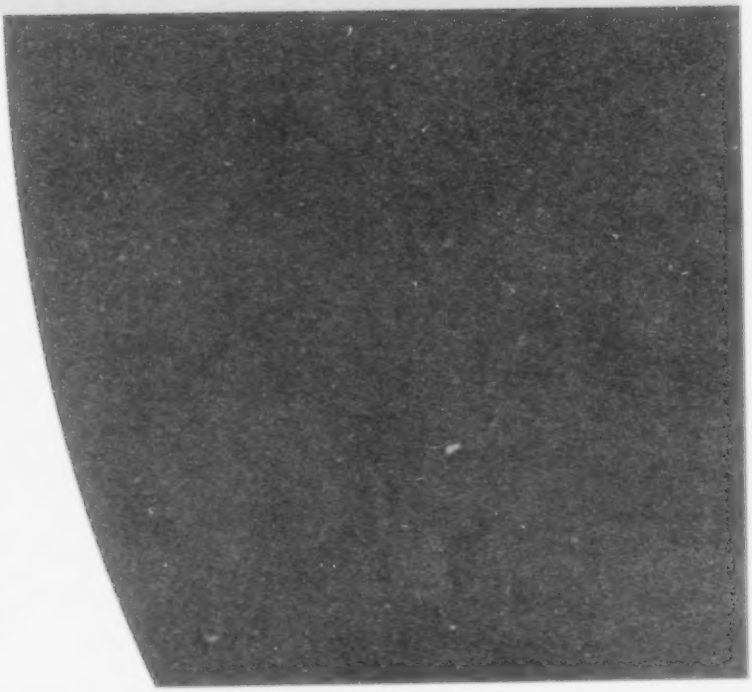


Capital
Pension Plan



Investments



Our Mission.....

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build their retirement savings.

The Capital Pension Plan receives contributions from members and participating employers and holds them in trust. Contributions are invested in the Plan's investment funds.

The investment of the Plan's assets has been delegated to professional investment managers under the supervision of the Pension Board which monitors each Fund based on the guidelines established in the Fund's *Statement of Investment Policies and Goals*. These guidelines are reviewed annually by the Pension Board. Revisions are made as required.

Market Value of Contributory Funds
(December 31)

The Plan's custodian, Royal Trust, ensures the safekeeping of the assets, income collection, settlement of investment transactions and accounting for the investment transactions.

The Capital Pension Plan offers members some investment choice. The majority of Plan membership invest their contributions in the Diversified Fund. Members within 5 years of their earliest retirement date may choose to invest some or all of their Plan equity in the Pre-Retirement Fund. Retiring members that choose to purchase an annuity from the Capital Pension Plan are required to transfer their equity to the Plan's Retirement Annuity Fund.

At December 31, 2004, the total market value of the assets held by the Capital Pension Plan's contributory funds (which includes the Diversified Fund and the Pre-Retirement Fund) was $742 million.

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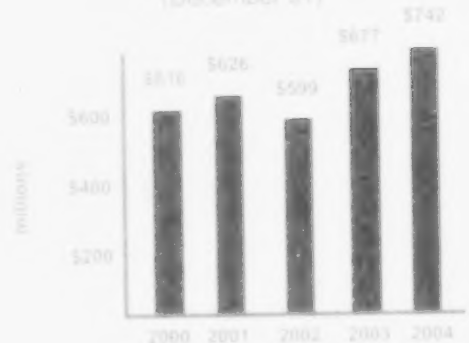
The Capital Pension Plan offers members some investment choice. The majority of Plan membership invest their contributions in the Diversified Fund. Members within 5 years of their earliest retirement date may choose to invest some or all of their Plan equity in the Pre-Retirement Fund. Retiring members that choose to purchase an annuity from the Capital Pension Plan are required to transfer their equity to the Plan's Retirement Annuity Fund.

At December 31, 2004, the total market value of the assets held by the Capital Pension Plan's contributory funds (which includes the Diversified Fund and the Pre-Retirement Fund) was $742 million.

Market Value of Contributory Funds
(December 31)



The Diversified Fund

Capital's Diversified Fund was established in 1976. The investment objective of the Diversified Fund is to provide long-term investment growth within acceptable levels of risk. To achieve this objective, the Diversified Fund employs an asset mix with a bias towards equity investments. Historically, equities have provided higher average rates of return, although with a greater level of investment risk. Within the equity asset class, the Diversified Fund contains a mix of Canadian, U.S. and non-North American holdings. As per Canada Revenue Agency guidelines, foreign content may not exceed 30% of the book value of the Fund.

The Diversified Fund balances equity investments with bonds, mortgages, real estate and short-term investments. This diversified asset mix is designed to take advantage of potentially higher returns historically associated with equity investments while counteracting some of the associated volatility and risk with fixed income investments. The Pension Board attempts to further reduce the overall level of risk by further diversifying within asset classes by investment manager, management style and investment mandate.

Investment Policies and Goals

The assets of the Diversified Fund are invested in accordance with the Fund's *Statement of Investment Policies and Goals*, which includes the Fund's asset mix guidelines, quality and quantity constraints for each type of asset, the portfolio benchmark and performance objectives. At a minimum, the *Statement of Investment Policies and Goals* is reviewed annually and revised as required by the Pension Board.

The Diversified Fund's *Statement of Investment Policies and Goals* was reviewed during 2004. On April 1, 2004, the asset mix was adjusted to further broaden diversification by increasing foreign content. The percentage of U.S. and non-North American equity holdings increased, with a corresponding decrease in the Fund's Canadian equity holdings. The benchmark guidelines for the Fund's real estate, bonds and short-term investments were unchanged.

State Street Global Advisors (SSgA), an investment firm that already managed some of the Diversified Fund's bond investments, had its mandate expanded to manage the additional U.S. equity investments. State Street's investments are targeted to U.S. Large Cap and U.S. Mid Cap investments. To ensure that foreign content does not exceed stipulated guidelines, a synthetic investment strategy was employed for the management of the additional U.S. equity holdings. This strategy uses futures contracts fully backed by secure Canadian short-term investments (such as Canadian treasury bills). Since the backing asset is Canadian, the investment is not considered foreign content. The futures contracts purchased are structured to provide returns similar to the S&P 500 Index and the S&P 400 Index.

Diversified Fund's Investment Managers

Greystone Capital Management Inc. (Greystone) is responsible for a diversified portfolio including Canadian and foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs and Hansberger Global Investors to manage the non-North American equities portion of the portfolio.

State Street Global Advisors (SSgA) is responsible for a portion of the Canadian bond portfolio and employs a passive (i.e. index) management style. In 2004, State Street's mandate was expanded to include a portion of the Fund's U.S. equity portfolio, utilizing a synthetic approach.

Lincluden Management Limited (Lincluden) is responsible for a portion of the Canadian equity portfolio.

Tweedy Browne Company LLC (Tweedy Browne) was hired in 2004 and is responsible for a portion of the Fund's non-North American equity portfolio.

Return Expectations

The long-term investment goal of the Diversified Fund is to achieve a minimum annualized rate of return that is three percentage points in excess of the Canadian Consumer Price Index. The Fund is evaluated against a benchmark portfolio consisting of specific weightings for each of the Fund's major asset classes. The return of the benchmark portfolio is calculated by multiplying the benchmark weightings by the rate of return achieved by the relevant market index. The amount by which actual performance exceeds the benchmark return reflects the "value added" by the investment managers. The primary objective for the Fund is to earn a rate of return that exceeds the return earned by the benchmark portfolio. A secondary objective is for each investment manager to exceed the benchmark index for their respective asset class.

Investment managers provide the Pension Board with quarterly reports on investment performance. The Pension Board, in conjunction with James P. Marshall, an independent firm specializing in evaluating investment performance, evaluates performance on a quarterly, annual, and consecutive four-year rolling basis (i.e. 4-year annualized).

Diversified Fund Benchmark Portfolio

Asset Class	Weight	Market Index*
Canadian Equities	19%	S & P/TSX Composite Index
U.S. Equities	9%	S & P 500 Index ($C)
U.S. Equities (Large Cap - Synthetic)	7%	S & P 500 Index (Hedged)
U.S. Equities (Mid Cap - Synthetic)	3%	S & P 400 Index (Hedged)
Non-North American Equities	19%	MSCI EAFE Index ($C)
Real Estate	5%	Investment Property Databank Index
Bonds	36%	SC Universe Bond Index
Short-term/cash	2%	91-day T-bills

* See page (iv) of the Appendix for a description of market indices.

The Diversified Fund

Capital's Diversified Fund was established in 1976. The investment objective of the Diversified Fund is to provide long-term investment growth within acceptable levels of risk. To achieve this objective, the Diversified Fund employs an asset mix with a bias towards equity investments. Historically, equities have provided higher average rates of return, although with a greater level of investment risk. Within the equity asset class, the Diversified Fund contains a mix of Canadian, U.S. and non-North American holdings. As per Canada Revenue Agency guidelines, foreign content may not exceed 30% of the book value of the Fund.

The Diversified Fund balances equity investments with bonds, mortgages, real estate and short-term investments. This diversified asset mix is designed to take advantage of potentially higher returns historically associated with equity investments while counteracting some of the associated volatility and risk with fixed income investments. The Pension Board attempts to further reduce the overall level of risk by further diversifying within asset classes by investment manager, management style and investment mandate.

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State Street Global Advisors (SSgA), an investment firm that already managed some of the Diversified Fund's bond investments, had its mandate expanded to manage the additional U.S. equity investments. State Street's investments are targeted to U.S. Large Cap and U.S. Mid Cap investments. To ensure that foreign content does not exceed stipulated guidelines, a synthetic investment strategy was employed for the management of the additional U.S. equity holdings. This strategy uses futures contracts fully backed by secure Canadian short-term investments (such as Canadian treasury bills). Since the backing asset is Canadian, the investment is not considered foreign content. The futures contracts purchased are structured to provide returns similar to the S&P 500 Index and the S&P 400 Index.

Diversified Fund's Investment Managers

Greystone Capital Management Inc. (Greystone) is responsible for a diversified portfolio including Canadian and foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs and Hansberger Global Investors to manage the non-North American equities portion of the portfolio.

State Street Global Advisors (SSgA) is responsible for a portion of the Canadian bond portfolio and employs a passive (i.e. index) management style. In 2004, State Street's mandate was expanded to include a portion of the Fund's U.S. equity portfolio, utilizing a synthetic approach.

Lincluden Management Limited (Lincluden) is responsible for a portion of the Canadian equity portfolio.

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Diversified Fund Benchmark Portfolio

Asset Class	Weight	Market Index*
Canadian Equities	10%	S & P/TSX Composite Index
U.S. Equities	5%	S & P 500 Index ($C)
U.S. Equities (Large Cap - Synthetic)	7%	S & P 500 Index (Hedged)
U.S. Equities (Mid Cap - Synthetic)	3%	S & P 400 Index (Hedged)
Non-North American Equities	10%	MSCI EAFE Index ($C)
Real Estate	5%	Investment Property Databank Index
Bonds	68%	SC Universe Bond Index
Short-term cash	2%	91-day T-bills

* See page (vi) of the Appendix for a description of market indices.

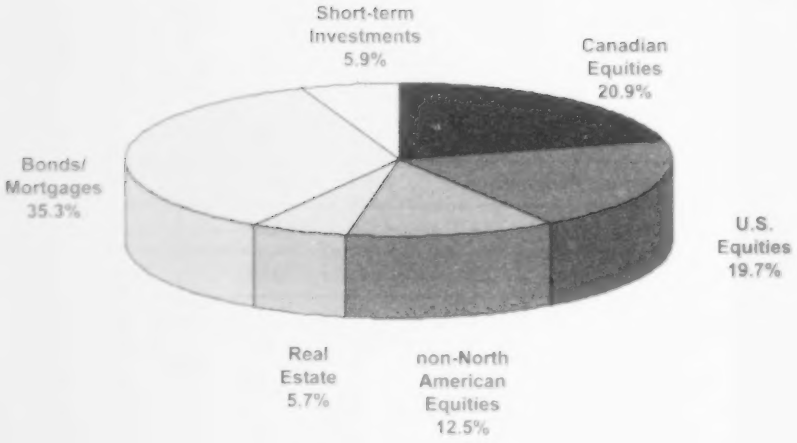
Diversified Fund Asset Mix Guidelines and Benchmark

(based on market value)

	Minimum %	Maximum %	*Benchmark %*
Equities			
Canadian Equities	14	24	*19*
U.S. Equities	13	25	*19*
Non-North American Equities	15	23	*19*
Total Foreign Equities	28	48	*38*
Total Equities	42	65	*57*
Real Estate			
Total Real Estate	3	7	*5*
Fixed Income			
Bonds/Mortgages	26	46	*36*
Short-term Investments	1	15	*2*
Total Fixed Income	27	61	*38*

Diversified Fund Asset Mix

The asset mix of the Diversified Fund varied throughout the year within the ranges established by the Pension Board. This reflects the investment managers' efforts to add value to the Fund by adjusting the weightings to respond to changing market conditions. Throughout the year, the Fund's asset mix remained in compliance with the *Statement of Investment Policies and Goals*.



Diversified Fund Performance

Positive performance by equity markets worldwide provided a return of 10.85% (after expenses) for Capital's Diversified Fund for the year ending December 31, 2004. The growth of Canadian equities led the way, with the S&P/TSX Composite Index providing a return of 14.5%. By comparison, the Diversified Fund's Canadian equity holdings exceeded the benchmark, posting a return of 18.7%. U.S. equities posted a return of 10.9% in U.S. dollars. However, due to the increase in value of the Canadian dollar, this translated into a 2.8% return in Canadian dollars. The Diversified Fund's U.S. equity holdings outperformed the index, providing a return of 14.5% in Canadian dollars. This return is due in part to the strategy implemented by the Pension Board that increased the Fund's foreign content holdings, together with a strategy that included measures to partially mitigate the erosion of the U.S. equity return due to a rising Canadian dollar. The Fund's non-North American equity investments fell short of its benchmark, providing a return of 8.3%, compared to a benchmark return of 11.5%. The Fund's fixed income holdings (including bonds and real estate) continued to add value while tempering the volatility of equity investments. The Diversified Fund's bond holdings provided a return of 7.7%, compared to the benchmark of 7.1%. The Fund's real estate holdings produced a return of 15.8% compared to the benchmark of 9.1%.

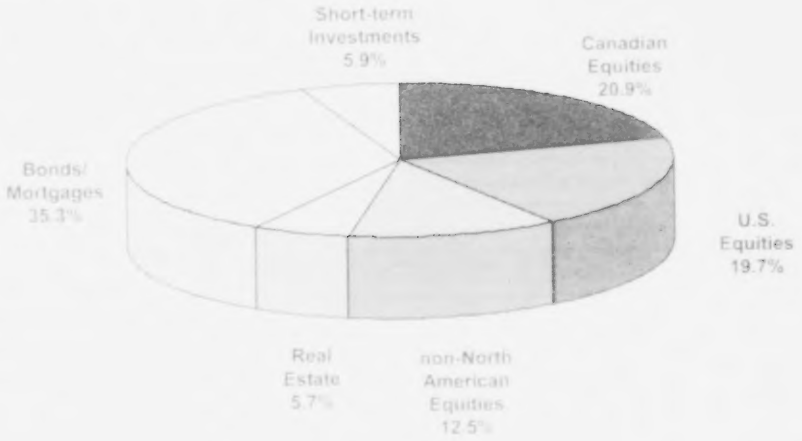
Diversified Fund Asset Mix Guidelines and Benchmark

(based on market value)

	Minimum %	Maximum %	Benchmark %
Equities			
Canadian Equities	14	24	19
U.S. Equities	11	30	19
Non-North American Equities	13	26	19
Total Foreign Equities	28	46	38
Total Equities	42	65	57
Real Estate			
Total Real Estate	3	7	5
Fixed Income			
Bonds/Mortgages	26	60	38
Short-term Investments	1	15	
Total Fixed Income	27	61	38

Diversified Fund Asset Mix

The asset mix of the Diversified Fund varied throughout the year within the ranges established by the Pension Board. This reflects the investment managers' efforts to add value to the Fund by adjusting the weightings to respond to changing market conditions. Throughout the year, the Fund's asset mix remained in compliance with the *Statement of Investment Policies and Goals*.



Diversified Fund Performance

Positive performance by equity markets worldwide provided a return of 16.8% (after expenses) for Capital's Diversified Fund for the year ending December 31, 2004. The growth of Canadian equities led the way, with the S&P/TSX Composite Index providing a return of 14.5%. By comparison, the Diversified Fund's Canadian equity holdings exceeded the benchmark, posting a return of 18.2%. U.S. equities posted a return of 10.9% in U.S. dollars. However, due to the increase in value of the Canadian dollar, this translated into a 2.8% return in Canadian dollars. The Diversified Fund's U.S. equity holdings outperformed the index, providing a return of 14.5% in Canadian dollars. This return is due in part to the strategy implemented by the Pension Board that increased the Fund's foreign content holdings, together with a strategy that included measures to partially mitigate the erosion of the U.S. equity return due to a rising Canadian dollar. The Fund's non-North American equity investments fell short of its benchmark, providing a return of 8.3%, compared to a benchmark return of 11.5%. The Fund's fixed income holdings (including bonds and real estate) continued to add value while tempering the volatility of equity investments. The Diversified Fund's bond holdings provided a return of 7.7%, compared to the benchmark of 7.1%. The Fund's real estate holdings produced a return of 15.8% compared to the benchmark of 9.1%.

The Diversified Fund

Annual and 4-year annualized returns for the Diversified Fund are reported net of all expenses.

Total Fund		
	Annual	4-year Annualized
Diversified Fund	10.85%	6.1%
Benchmark Portfolio	*9.7%*	*3.0%*

For Canadian equities, the annual and 4-year annualized performance of both Greystone and Lincludin exceeded the benchmark.

Canadian Equities		
	Annual	4-year Annualized
Combined Performance	18.7%	12.5%
Greystone	15.8%	7.8%
Lincluden	23.0%	18.3%
S&P/TSX Composite Index	*14.5%*	*2.7%*

Greystone out-performed the annual and the 4-year annualized benchmark in the U.S. equity asset class. Since State Street Global Advisors (SSgA) began their U.S. equity investment mandate effective April 1, 2004, annual and 4-year annualized returns are not available.

U.S. Equities		
	Annual	4-year Annualized
Combined Performance	14.5%	-3.7%
Greystone	9.8%	-4.7%
S & P 500 Index (SC)	*2.8%*	*-6.0%*
SSgA Large Cap (Synthetic)	n/a*	n/a*
S & P 500 Index (Hedged)	*11.6%*	*-0.3%*
SSgA Mid Cap (Synthetic)	n/a*	n/a*
S & P 400 Index (Hedged)	*17.0%*	*7.8%*

** The mandate of State Street Global (SSgA) changed to include U.S. equity investments effective April 1, 2004*

Non-North American Equities		
	Annual	4-year Annualized
Combined Performance	8.3%	-5.0%
Greystone	5.6%	-6.9%
Tweedy Browne	n/a*	n/a*
MSCI EAFE Index	*11.5%*	*-3.3%*

*Tweedy Browne Company LLC was hired effective April 1, 2004.

Greystone fell short for both the annual and the 4-year annualized benchmark performance. Greystone contracts with sub-advisors to manage its non-North American equity Fund. In October 2004, Greystone announced a change to its sub-advisor and mandate. Goldman Sachs continues to manage 50% of Greystone's NNA equity Fund, but its mandate changed to the Goldman Sachs Quantitative Equity Strategy. Greystone also hired a new manager, Hansberger Global Investors to manage the other 50% their Non-North American mandate.

Bonds		
	Annual	4-year Annualized
Combined Performance	7.7%	8.1%
Greystone	7.9%	8.1%
SSgA	7.4%	n/a*
SC UBI	*7.1%*	*7.7%*

*SSgA was hired effective March 1, 2002

Overall bond performance exceeded benchmark performance. Both Greystone and State Street Global Advisors exceeded the annual benchmark, with Greystone exceeding the 4-year annualized benchmark as well.

Real Estate		
	Annual	4-year Annualized
Greystone	15.8%	11.0%
IPD Index	*9.1%*	*9.1%*

Greystone's real estate holdings outperformed the benchmark on both an annual and 4-year annualized basis.

The Diversified Fund

Annual and 4-year annualized returns for the Diversified Fund are reported net of all expenses.

Total Fund		
	Annual	4-year Annualized
Diversified Fund	10.85%	6.1%
[illegible]	[illegible]	[illegible]

For Canadian equities, the annual and 4-year annualized performance of both Greystone and Lincludin exceeded the benchmark.

Canadian Equities		
	Annual	4-year Annualized
Combined Performance	18.7%	12.5%
Greystone	15.6%	7.6%
Lincluden	23.0%	18.1%
[illegible]	[illegible]	[illegible]

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	Annual	4-year Annualized
Combined Performance	14.5%	3.7%
Greystone	9.8%	-4.7%
[illegible]	[illegible]	[illegible]
SSgA Large Cap (Synthetic)	n/a*	n/a*
[illegible]	[illegible]	[illegible]
SSgA Mid Cap (Synthetic)	n/a*	n/a*
[illegible]	[illegible]	[illegible]

[illegible]

Non-North American Equities		
	Annual	4-year Annualized
Combined Performance	8.3%	-5.0%
Greystone	5.6%	-6.9%
Tweedy Browne	n/a*	n/a*
MSCI EAFE Index	11.5%	-3.0%

*Tweedy Browne Company LLC was hired effective April 1, 2004.

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Bonds		
	Annual	4-year Annualized
Combined Performance	7.7%	8.1%
Greystone	7.9%	8.1%
SSgA	7.4%	n/a*
SC LBD	7.7%	7.7%

*SSgA was hired effective March 1, 2004.

Overall bond performance exceeded benchmark performance. Both Greystone and State Street Global Advisors exceeded the annual benchmark, with Greystone exceeding the 4-year annualized benchmark as well.

Real Estate		
	Annual	4-year Annualized
Greystone	15.8%	11.0%
SPD Index	9.1%	8.5%

Greystone's real estate holdings outperformed the benchmark on both an annual and 4-year annualized basis.

Historic Investment Performance for the Diversified Fund

	2004		2003		2002		2001	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	**10.85%**	9.7%	13.73%	13.2%	-3.30%	-6.0%	2.94%	-3.6%
Canadian Equities	18.7%	14.5%	26.6%	26.7%	-0.9%	-12.4%	7.0%	-12.6%
U.S. Equities	14.5%	2.8%	7.9%	5.3%	-25.5%	-22.9%	-6.5%	-6.4%
Non-North American Equities	8.3%	11.5%	12.8%	13.4%	-19.0%	-16.8%	-22.2%	-16.7%
Real Estate	15.8%	9.1%	9.0%	9.2%	11.6%	8.2%	7.8%	10.7%
Bonds	7.7%	7.1%	6.8%	6.7%	9.0%	8.7%	8.9%	8.1%

Compound Rates of Return for the Diversified Fund

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	10.85%	12.28%	6.83%	6.31%	10.37%
S&P/TSX Composite Index	14.5%	20.4%	8.3%	3.6%	10.1%
S & P 500 Index	2.8%	4.0%	-5.9%	-6.0%	10.3%
MSCI EAFE Index	11.5%	12.4%	1.7%	-4.9%	3.9%
SC UBI	7.1%	6.9%	7.5%	8.2%	9.0%
IPD Index*	9.1%	8.7%	8.6%	9.6%	10.5%

* The Investment Property Databank (IPD Index) replaced the Russell Canadian Property Index (RCPI) effective January 1, 2003. The compound rates shown include data from the RCPI until December 31, 2002 and the IPD Index thereafter.

Our Vision.....

To be the preferred pension plan for members and employers.

Capital's Pre-Retirement Fund was established in 1994. It is available to members who are within five years of their earliest possible retirement date. The investment objective of the Pre-Retirement Fund is to preserve capital over the short-term and earn a rate of return competitive with money market funds.

Investment Policies and Goals

The assets of the Pre-Retirement Fund are invested in accordance with the *Statement of Investment Policies and Goals*. This includes the Fund's asset mix guidelines, quality and quantity constraints and performance objectives. The *Statement of Investment Policies and Goals* is reviewed annually and revised as required by the Pension Board.

The Pre-Retirement Fund's *Statement of Investment Policies and Goals* was reviewed during 2004 and no changes were required.

Pre-Retirement Fund's Investment Managers

The entire portfolio of the Pre-Retirement Fund is managed by Greystone Capital Management Inc.

Return Expectations

The goal of the Pre-Retirement Fund is to preserve capital over the short-term and earn a rate of return competitive with money market funds. The Fund's investment manager provides the Pension Board with quarterly reports on performance. The Pension Board, in conjunction with James P. Marshall, evaluates performance on a quarterly, annual and four-year annualized basis.

Historic Investment Performance for the Diversified Fund

	2004		2003		2002		2001	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	10.85%	9.7%	13.73%	13.2%	-3.30%	-6.0%	2.94%	-3.6%
Canadian Equities	18.7%	14.5%	28.0%	26.7%	0.9%	-12.4%	7.5%	-12.6%
U.S. Equities	14.5%	2.8%	7.9%	5.1%	-25.5%	-22.9%	6.0%	-4.4%
Non-North American Equities	8.3%	11.5%	32.8%	31.4%	10.0%	-16.8%	-22.2%	-16.9%
Real Estate	15.8%	9.1%	9.6%	9.2%	11.6%	9.2%	9.8%	10.7%
Bonds	7.7%	7.1%	6.8%	6.7%	9.0%	8.7%	9.8%	8.1%

Compound Rates of Return for the Diversified Fund

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	10.85%	12.28%	6.83%	6.31%	10.37%
S&P/TSX Composite Index	14.5%	20.4%	8.3%	3.6%	10.1%
S & P 500 Index	2.8%	4.0%	-5.9%	-6.0%	10.3%
MSCI EAFE Index	11.5%	12.4%	1.7%	-4.9%	3.9%
SC UBI	7.1%	6.9%	7.5%	8.2%	9.0%
IPD Index*	9.1%	9.7%	9.6%	9.6%	10.5%

* The Investment Property Databank (IPD Index) replaced the Russell Canadian Property Index (RCPI) effective January 1, 2003. The compound rates shown include data from the RCPI until December 31, 2002 and the IPD Index thereafter.

Our Vision.....

Pre-Retirement Fund's Investment Managers

The entire portfolio of the Pre-Retirement Fund is managed by Greystone Capital Management Inc.

Return Expectations

The goal of the Pre-Retirement Fund is to preserve capital over the short-term and earn a rate of return competitive with money market funds. The Fund's investment manager provides the Pension Board with quarterly reports on performance. The Pension Board, in conjunction with James P. Marshall, evaluates performance on a quarterly, annual and four-year annualized basis.

The Pre-Retirement Fund

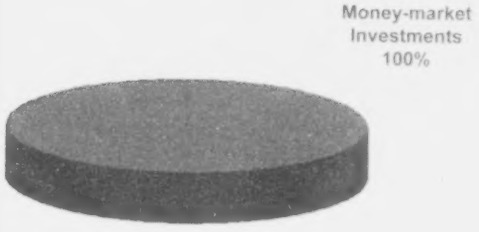
Pre-Retirement Fund Benchmark Portfolio

Asset Class	Weight	Market Index
91-day T-bills	100%	Scotia Capital 91-day Treasury Bill Index

Pre-Retirement Fund Asset Mix Guidelines and Benchmarks

(based on market value)

	Minimum %	Maximum %	*Benchmark %*
Fixed Income			
Short-term investments (money market)	100	100	*100*



The portfolio asset mix of the Pre-Retirement Fund remained in compliance with the *Statement of Investment Policies and Goals* throughout 2004.

Pre-Retirement Fund Performance

The Pre-Retirement Fund provided an annual rate of return of 2.12% for the year. Although this rate is lower than last year, it is the return that was expected for the Fund. It is important to note that annual returns are calculated after all expenses are deducted from its earnings. The difference between the annual rate of return and the benchmark performance is attributed to these expenses.

Total Fund		
	Annual	4-year Annualized
Pre-Retirement Fund	2.12%	3.9%
Benchmark Portfolio	*2.3%*	*3.1%*

Annual and 4-year annualized returns for the Pre-Retirement Fund are reported net of all expenses.

Compound Rates of Return for the Pre-Retirement Fund

	1 year	2 years	3 years	5 years	10 years
Pre-Retirement Fund	2.12%	2.46%	3.10%	4.09%	5.40%
91-day T-bills	*2.3%*	*2.6%*	*2.6%*	*3.6%*	*4.3%*

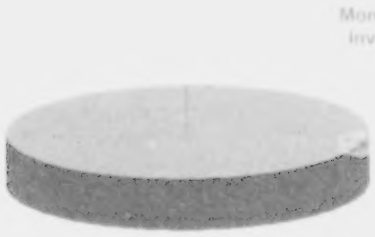
Pre-Retirement Fund Benchmark Portfolio

Asset Class	Weight	Market Index
91-day T-bills	100%	Scotia Capital 91-day Treasury Bill Index

Pre-Retirement Fund Asset Mix Guidelines and Benchmarks

(based on market value)

	Minimum %	Maximum %	*Benchmark* %
Fixed Income			
Short-term investments (money market)	100	100	100



The portfolio asset mix of the Pre-Retirement Fund remained in compliance with the *Statement of Investment Policies and Goals* throughout 2004.

Pre-Retirement Fund Performance

The Pre-Retirement Fund provided an annual rate of return of 2.12% for the year. Although this rate is lower than the rate of 3.1% the return that was expected for the Fund. It is important to note that annual returns are calculated after all expenses are deducted from its earnings. The difference between the annual rate of return and the benchmark performance is attributed to these expenses.

Total Fund		
	Annual	4-year Annualized
Pre-Retirement Fund	2.12%	3.9%
Benchmark Portfolio	3.1%	5.1%

Annual and 4-year annualized returns for the Pre-Retirement Fund are reported net of all expenses.

Compound Rates of Return for the Pre-Retirement Fund

	1 year	2 years	3 years	5 years	10 years
Pre-Retirement Fund	2.12%	2.46%	3.10%	4.09%	5.40%
Hedge Fund	2.1%	2.8%	2.6%	3.6%	4.3%

Our Values.....

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

In 1986, the Retirement Annuity Fund was established to provide lifetime pension annuities to members of the Capital Pension Plan. Members wishing to purchase a life annuity may do so through the Retirement Annuity Fund or from a life insurance company.

When a member chooses to purchase a life annuity from the Retirement Annuity Fund, his or her equity in the Capital Pension Plan is transferred to the Retirement Annuity Fund and a life annuity contract is established.

The monthly annuity amount payable to the member from the Retirement Annuity Fund is determined by:

- the amount of equity used to purchase the life annuity;
- the member's age;
- the minimum payment period chosen;
- the annuity rate in effect at the time of the annuity purchase; and
- the age of the member's spouse (if a joint & survivor life annuity is purchased).

Investment Policies and Goals

Funds transferred to the Retirement Annuity Fund are invested in accordance with the *Statement of Investment Policies and Goals* established for the Fund. The *Statement of Investment Policies and Goals* is reviewed periodically (i.e. at least once per year).

During 2004, the *Statement of Investment Policies and Goals* for the Retirement Annuity Fund was reviewed. Material changes to the policies and goals were not required.

Retirement Annuity Fund's Investment Manager

Investments for the Retirement Annuity Fund are managed by Greystone Capital Management Inc.

Return Expectations

The mandate of the Retirement Annuity Fund is to provide lifetime retirement benefits to members that purchase a life annuity from the

Fund. A rate of return is not calculated for the Fund. The performance objectives of the Retirement Annuity Fund are:

- to be immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to annuitants can be made when due; and
- to ensure long-term Fund solvency.

As such, the Fund contains a substantial fixed income component. Once these objectives have been met, any excess assets (i.e. assets in excess of those required to meet the duration matching strategy) may be invested in high quality equities to enhance the long-term solvency of the Fund. The performance objective of the equity component is to exceed the return of the following market indices:

- S&P/TSX Composite Index, for Canadian equities;
- S&P 500 Index (in Canadian dollars) for U.S. equities; and
- MSCI EAFE Index (in Canadian dollars) for non-North American equities.

Retirement Annuity Fund Asset Mix - December 31, 2004

Retirement Annuity Fund Performance

The performance of the fixed income component of the Retirement Annuity Fund met the established performance goals. The performance of the equity component of the Fund is as follows:

Retirement Annuity Fund Equity Component		
	Annual	4-year Annualized
Canadian Equities	16.3%	7.5%
S&P/TSX Composite Index	*14.5%*	*2.7%*
Non-North American Equities	5.5%	-7.0%
MSCI EAFE Index	*11.5%*	*-3.3%*

Our Values.....

In 1986, the Retirement Annuity Fund was established to provide lifetime pension annuities to members of the Capital Pension Plan. Members wishing to purchase a life annuity may do so through the Retirement Annuity Fund or from a life insurance company.

When a member chooses to purchase a life annuity from the Retirement Annuity Fund, his or her equity in the Capital Pension Plan is transferred to the Retirement Annuity Fund and a life annuity contract is established.

The monthly annuity amount payable to the member from the Retirement Annuity Fund is determined by:

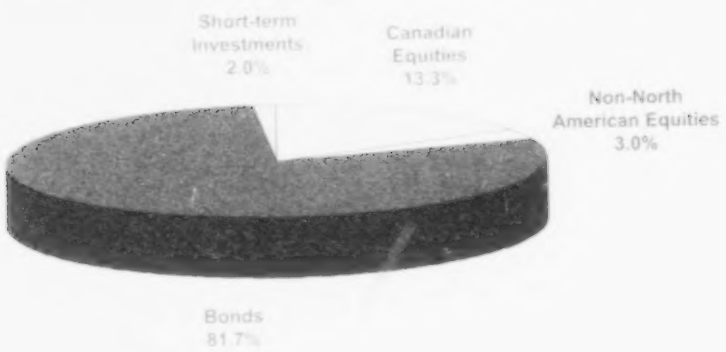
- the amount of equity used to purchase the life annuity;
- the member's age;
- the minimum payment period chosen;
- the annuity rate in effect at the time of the annuity purchase; and
- the age of the member's spouse if a joint & survivor life annuity is purchased.

Investment Policies and Goals

Retirement Annuity Fund's Investment Manager

Return Expectations

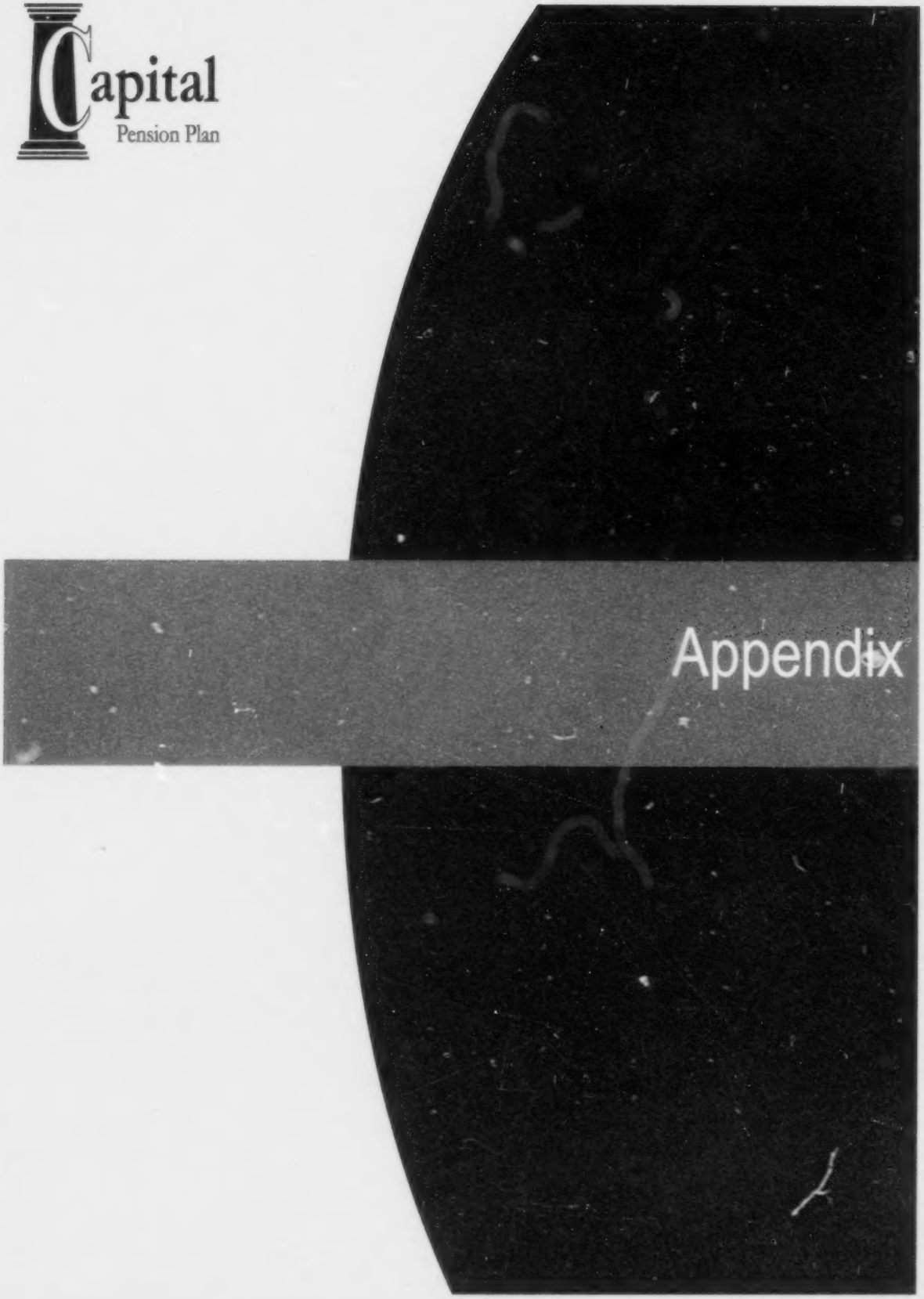
Retirement Annuity Fund Asset Mix - December 31, 2004



Retirement Annuity Fund Performance

Retirement Annuity Fund Equity Component		
	Annual	4-year Annualized
Canadian Equities	16.3%	7.5%
S&P/TSX Composite Index	14.5%	2.7%
Non-North American Equities	5.5%	-7.0%
MSCI EAFE Index	11.5%	-3.3%

Capital
Pension Plan



Appendix

Section 3: Actuarial Opinion, Recommendations and Certification

Opinion

This opinion forms an integral part of the report.

In our opinion, for the purposes of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- the assumptions, in aggregate, used in this report are appropriate; and
- the actuarial cost methods and the asset valuation methods employed in this report are appropriate.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

We Hereby Recommend That:

1. No additional contributions be made in respect of the Plan's current membership until at least the time of certification of the next actuarial funding recommendation. For greater clarification, no recommendation is provided in respect of assets to be transferred for new annuitants.

2. The next actuarial valuation for the purposes of developing a funding recommendation be performed no later than December 31, 2005.

We Hereby Certify That:

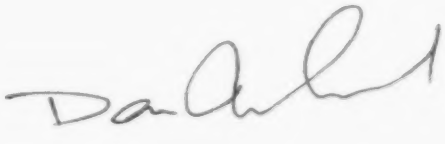
1. The purpose of this report is to determine the financial position of the Plan on a going concern and solvency basis, as at December 31, 2004, to determine the need for additional contributions to support the accrued liabilities, to provide information on the sensitivity of the going-concern results to changes in assumptions, and to provide a cash flow projection of expected annuity payments for 72 years following the valuation date.

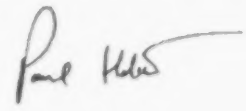
2. The Plan has a going concern surplus (excess of assets over liabilities) of $6,440,000 as at December 31, 2004 based on the actuarial value of assets of $29,942,000 and liabilities of $23,502,000.

3. The present value, as at December 31, 2004, of the future liabilities for all annuities being paid out of the Plan has been fully pre-funded as of the valuation date and therefore there is no normal actuarial cost associated with these liabilities.

4. There is no solvency deficiency in the Plan and the solvency ratio is not less than 1. The assets of the Plan would exceed the Plan's liabilities if the Plan was terminated and wound-up as at December 31, 2004.

5. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice.





Donald L. Ireland
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 21, 2005

Glossary of Terms

Active Member
(Contributing Member)
A member who is currently making employee required contributions to the Plan and/or whose employer is currently making employer required contributions to the Plan.

Annuitant
A member who has used some or all of his/her Plan equity from the contributory fund(s) to purchase a life annuity from the Retirement Annuity Fund.

Benchmark
A standard against which others are measured. For the purposes of this report, benchmarks are established market indices, listed as percentages, used to measure the performance of the Fund's investment returns in relative asset classes.

Benchmark Portfolio
The asset mix of a portfolio that is determined from an investment fund's asset mix guidelines and which is used to measure the performance of a Fund's overall return.

Benchmark Portfolio Return

The rate of return earned by the Benchmark Portfolio derived from the returns of the relative market indexes.

Contributory Funds
The Capital Pension Plan's Diversified Fund and Pre-Retirement Fund.

Inactive Member
A member who is no longer working for a participating employer but who has chosen to leave all or part of his/her equity with the Capital Pension Plan.

Plan Text
The official document of the Plan that describes its rules and regulations. Legislation requires that the Plan Text, and amendments thereto, must be filed with and approved by both the Superintendent of Pensions (Saskatchewan) and the Canada Revenue Agency.

Statement of Investment Policies and Goals
A policy document established by the Pension Board that sets out the asset mix of the investment funds, the manner by which the investment managers may invest the Fund's assets, the specific quantity and quality constraints, and the benchmark returns of the Funds.

Description of Market Indices

91-day T-Bills
Canada Treasury Bills represent the highest quality short-term investment instruments available. The index is constructed by selling and repurchasing Government of Canada T-bills with an average term to maturity of 91 days.

CPI
Consumer Price Index
Measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate.

MSCI EAFE Index
Morgan Stanley Capital International Europe, Australia and Far East Index
The MSCI EAFE Index measures the total return attributable to the largest capitalized companies on the European, Australian and Far Eastern stock exchanges.

IPD Index
Investment Property Databank Index
The ICREIM/IPD Canadian Property Index is published by the Investment Property Databank Ltd. under contract with the Canadian Institute of Real Estate Investment Managers. This index replaces the Russell Canadian Property Index, which was discontinued at the end of 2002. The IPD Index measures total returns on a diversified pool of properties. IPD compiles property level information from pension funds, life insurance companies and real estate managers on a quarterly basis. The Index contains over 1,700 properties.

SC UBI
Scotia Capital Markets Universe Bond Index
The SC UBI measures the total return attributable to Canadian bonds and includes representative by:

- issuer (Federal, Provincial, Municipal and Corporate);
- quality (AAA, AA, A and BBB); and
- term (short-term, mid-term, and long-term).

S & P 500 Index
Standard & Poor's 500 Composite Stock Index
The S & P 500 Index measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

S & P 500 Index (Hedged)
A synthetic hedging model constructed by Northwater Capital Management Corporation. Through the use of derivative products the return of the index is hedged to Canadian dollars to mitigate currency risk.

S & P 400 Index (Hedged)
Standard & Poor's 400 Composite Stock Index
The S&P 400 Index consists of 400 medium-sized companies chosen for market size, liquidity and industry group representation. The index is hedged back into Canadian dollars to mitigate currency risk.

S&P/TSX Index
S&P/TSX Composite Index
Effective May 1, 2002, the TSE 300 Index became known as the S&P/TSX Composite Index. The index comprises approximately 71% of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.

Capital
Pension Plan

Financial Statements

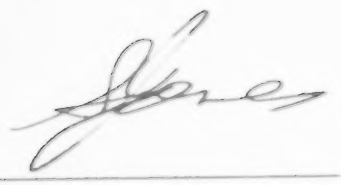
Management's Responsibility For Financial Reporting

The financial statements and information contained in this 2004 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and have been approved by the Pension Board. Information presented in this Annual Report that relates to the operations and financial position of the Capital Pension Plan is consistent with that in the financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information presented in this Annual Report.

KPMG, the Plan's external auditor, provides an independent audit for the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.

K. M. Klein
Executive Director



S. Jones
Manager,
Accounting and Administration

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KPMG

Financial Statements of

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS

Year ended December 31, 2004

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KPMG LLP
Chartered Accountants
2000 - 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Fax (306) 757-4703
Internet www.kpmg.ca

AUDITOR'S REPORT

To the Members of Capital Pension Plan - Defined Contribution Funds

We have audited the statement of net assets available for benefits of the Capital Pension Plan - Defined Contribution Funds as at December 31, 2004 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan - Defined Contribution Funds as at December 31, 2004 and the changes in the net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 22, 2005

KPMG LLP, a Canadian limited liability partnership, is the Canadian member firm of KPMG International, a Swiss cooperative.

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CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2004			2003
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Assets				
Investments at market value (Note 3)	$ 735,182	$ 6,710	$ 741,892	$ 677,409
Cash	1,568	55	1,623	2,169
Contributions receivable	1,355	4	1,359	1,320
Interest and dividends receivable	1,381	1	1,382	1,604
Capital assets (Note 5)	609	-	609	31
Total Assets	740,095	6,770	746,865	682,533
Liabilities				
Accounts payable	256	6	262	321
Prepaid participants' contributions	68	-	68	118
Total liabilities	324	6	330	439
Net assets available for benefits	$ 739,771	$ 6,764	$ 746,535	$ 682,094
Net assets available for benefits consists of:				
Members' equity	$ 739,710	$ 6,763	$ 746,473	$ 682,045
Unallocated unrealized appreciation	61	1	62	49
	$ 739,771	$ 6,764	$ 746,535	$ 682,094

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Director

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31

	2004			2003
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Increase in Assets				
Contributions and transfers in:				
Participants' contributions	$ 11,054	$ 62	$ 11,116	$ 10,725
Members' contributions	9,217	45	9,262	8,938
Voluntary contributions	864	13	877	809
Transfers into the fund	3,349	47	3,396	4,129
Interfund transfers	939	(939)	-	-
	25,423	(772)	24,651	24,601
Investment income (Note 4)	63,810	191	64,001	25,318
Net unrealized gain in market value of investments	10,857	-	10,857	56,186
	100,090	(581)	99,509	106,105
Decrease in Assets				
Pension fund expenses:				
Investment management custodian fees	1,453	9	1,462	1,254
Salaries and benefits	421	5	426	412
Other	366	8	374	380
	2,240	22	2,262	2,046
Withdrawals and transfers out:				
Withdrawals	28,071	2,902	30,973	23,472
Payouts on retirement (Note 6)	1,562	34	1,596	2,300
Transfers to other pension plans	237	-	237	30
	32,110	2,958	35,068	27,848
Increase (decrease) in net assets	67,980	(3,539)	64,441	78,257
Net assets available for benefits, beginning of year	671,791	10,303	682,094	603,837
Net assets available for benefits, end of year	$ 739,771	$ 6,764	$ 746,535	$ 682,094

(see accompanying notes)

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The operations of the RAF are reported separately. A combined financial statement for these three funds has also been prepared.

i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members, and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan. For purposes of these financial statements, the Diversified Fund and the Pre-Retirement Fund are collectively called the Defined Contribution Funds (DCF).

ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF's portfolio is invested solely in money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

iii) The RAF was established to enable the Plan to issue retirement annuities to Plan members.

c) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

d) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Valuation of investments

The DCF investments are recorded at market value determined as follows:

a) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

   Bonds, debentures and equities not traded on a public exchange are valued at a price between the latest closing ask and bid prices.

   Bonds, debentures and equities not traded on the valuation date are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the market value thereof.

   Pooled funds are based on the quoted market price of the underlying investments.

b) Short-term investments are valued at cost which approximates their market value.

c) Mortgages are valued at their net present value using current market based rates of return.

d) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

Investment transactions and income

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years

2. Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

3. Investments

Defined Contribution Funds investments consist of the following:

	2004	2003
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	$ 85,261	$ 73,763
Province of Saskatchewan	1,936	3,509
Other provincial	30,483	27,255
Municipal	665	632
Corporate and convertible	32,836	30,228
	151,181	135,387
Pooled Funds		
Canadian fixed income fund	108,041	92,286
S&P 400 stock index future fund	23,207	-
S&P 500 stock index future fund	52,120	-
Non-North American equity fund	54,626	76,758
	237,994	169,044
Short-term investments	42,623	22,961
Equities	260,810	300,434
Mortgage	628	655
Real estate	41,946	38,765
	735,182	667,246
Pre-Retirement Fund		
Canadian money market fund	6,710	10,163
	$ 741,892	$ 677,409

3. **Investments (continued)**

a) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 2.30% to 3.05% (2003 – 2.60% to 3.59%). Interest is receivable at maturity.

b) Bonds and debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2004		2003	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.00 - 5.75%	2.79 - 4.82%	3.00 - 5.75%	2.96 - 5.18%
Province of Saskatchewan	5.75 - 6.40%	5.23 - 5.24%	5.25 - 6.40%	4.01 - 5.59%
Other provincial	4.20 - 6.50%	3.57 - 5.42%	5.00 - 10.00%	2.80 - 5.74%
Corporate and convertible	4.00 - 9.00%	3.32 - 7.00%	4.00 - 9.00%	2.90 - 7.00%

3. Investments (continued)

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2004	2003
	(thousands of dollars)	
Government of Canada		
After one through five years	$ 44,652	$ 33,253
After five years	37,426	37,598
Province of Saskatchewan		
After one through five years	-	1,068
After five years	1,702	2,223
Other provincial		
After one through five years	3,845	1,026
After five years	24,252	24,205
Municipal		
After five years	618	618
Corporate and convertible		
Due in one year or less	-	460
After one through five years	11,563	15,153
After five years	19,376	13,082
	$ 143,434	$ 128,686

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $106,662,000 (2003 – $79,423,000) denominated in currencies other than Canadian dollars.

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

3. Investments (continued)

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2003 - 5.50%). Principal and interest are receivable on a monthly basis. The term to maturity is 12.67 years (2003 – 13.67 years).

f) Real estate

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $2,037,000 (2003 - $2,022,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Investment Income

	2004	2003
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures interest	$ 12,633	$ 11,399
Interest on short-term investments	745	730
Interest on mortgages	29	47
Dividends	9,897	5,949
Income from real estate	2,965	2,514
Gain on sale of bonds and debentures	3,773	2,670
Gain on sale of equities	33,676	1,530
Gain (loss) on sale of real estate	482	(38)
Loss on sale of short-term investments	(390)	-
	63,810	24,801
Pre-Retirement Fund		
Interest on short-term investments	191	517
	$ 64,001	$ 25,318

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

5. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
		(thousands of dollars)		
Computer equipment	$ 728	$ 126	$ 602	$ 26
Office furniture	25	18	7	5
	$ 753	$ 144	$ 609	$ 31

6. Payouts on Retirement

As indicated in note 1(b), members may purchase annuities from the RAF upon retirement. During 2004, members transferred $1,596,000 (2003 - $2,300,000) from the DCF to the RAF for purposes of purchasing retirement annuities.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2004		2003	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
	(thousands of dollars)			
Participant's contributions	$ 6,668	$ 35	$ 6,382	$ 131
Investment income	137	-	185	-
Contributions receivable	411	1	883	8
Interest and dividends receivable	34	-	40	-

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

8. Investment Performance

The DCF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

The following is a summary of the DCF's investment performance before operating expenses:

	2004 Return		Rolling Four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	11.0%	2.4%	6.1%	3.9%
Benchmark rate of return	9.7%	2.3%	3.0%	3.1%

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:
a) cash,
b) short-term investments
c) contributions receivable
d) interest and dividends receivable; and
e) accounts payable
the carrying amounts approximates fair value due to their immediate or short-term maturity.

For all other investments, fair values are considered to be market value, the calculation of which is detailed in note 2

KPMG

Financial Statements of

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND

Year ended December 31, 2004

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KPMG LLP
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2000 - 1881 Scarth Street
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AUDITORS' REPORT

To the Members of Capital Pension Plan - Retirement Annuity Fund

We have audited the statement of financial position of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2004 and the statement of operations and fund equity for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 22, 2005

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CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

STATEMENT OF FINANCIAL POSITION

As at December 31

	2004	2003
	(thousands of dollars)	
ASSETS		
Bonds and debentures (Note 3)	$ 25,160	$ 24,136
Pooled equity funds (Note 4)	3,652	4,606
Short-term investments	684	443
Total invested assets	29,496	29,185
Interest and accounts receivable	320	307
Cash	159	40
	$ 29,975	$ 29,532
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable (Note 8)	$ 32	$ 2,040
Provision for annuity benefits (Note 5)	23,502	22,893
	23,534	24,933
Fund equity (Note 6)	6,441	4,599
	$ 29,975	$ 29,532

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Director

CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

STATEMENT OF OPERATIONS AND FUND EQUITY

Year ended December 31

	2004	2003
	(thousands of dollars)	
Revenue		
Investment income	$ 1,830	$ 1,790
Gain (loss) on sale of investments	1,095	(5)
Transfers from Defined Contribution Funds upon members' retirement	1,596	2,300
	4,521	4,085
Expenses		
Annuity payments	2,005	1,971
Operating expenses	57	161
Increase in provision for annuity benefits (Note 5)	609	1,645
	2,671	3,777
Net increase in fund equity, before the undernoted	1,850	308
Settlement of claim (Note 8)	(8)	(1,158)
Net increase (decrease) in fund equity	1,842	(850)
Fund equity, beginning of year	4,599	5,449
Fund equity, end of year	$ 6,441	$ 4,599

(see accompanying notes)

CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978**, and continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Retirement Annuity Fund (RAF) and the Defined Contribution Funds (DCF). A combined financial statement has also been prepared.

i) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the Defined Contribution Funds to the RAF and a pension contract is established based on current interest rates and group annuity mortality tables.

Crown Investments Corporation of Saskatchewan is the Plan sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur.

ii) The DCF receive and hold, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. The operations of the DCF are reported separately.

c) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Valuation of Investments

a) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

b) Investment in pooled equity funds are carried at cost.

c) Short-term investments are carried at cost.

d) Investments are written down when there has been a decline in value, which is other than temporary.

2. Significant Accounting Policies (continued)

Investment Transactions and Income

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the provision for annuity benefits. Actual results could differ from these estimates.

3. Bonds and Debentures

Bonds and debentures include the following:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	$ 7,340	$ 8,045	$ 8,047	$ 8,627
Province of Saskatchewan	2,315	3,113	2,308	3,058
Other Provincial	14,728	16,985	12,999	14,799
Corporate	777	808	782	845
	$ 25,160	$ 28,951	$ 24,136	$ 27,329

The RAF's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

3. **Bonds and debentures (continued)**

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2004		2003	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	2.22 - 4.92%	0.00 - 10.25%	2.68 - 5.38%
Province of Saskatchewan	0.00 - 10.00%	3.89 - 5.24%	0.00 - 10.00%	4.45 - 5.59%
Other provincial	0.00 - 10.13%	2.87 - 5.62%	0.00 - 10.13%	3.29 - 5.78%
Corporate and convertible	8.80 - 10.55%	2.83 - 3.64%	8.80 - 10.55%	3.11 - 4.23%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2004		2003	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
Due in one year or less	$ 158	$ 155	$ 629	$ 650
After one through five years	1,570	1,873	1,080	1,290
After five years	5,612	6,267	6,338	7,239
Province of Saskatchewan				
After five years	2,315	2,419	2,308	2,419
Other Provincial				
After one through five years	596	592	199	200
After five years	14,132	17,967	12,800	16,837
Corporate				
After five years	777	750	782	750
	$ 25,160	$ 30,023	$ 24,136	$ 29,385

4. Pooled Equity Funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held are as follows:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	$ 2,489	$ 4,715	$ 3,467	$ 5,798
Non-North American equity funds	1,163	1,070	1,139	1,014
	$ 3,652	$ 5,785	$ 4,606	$ 6,812

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.25% was used for the first 15 years and 6% thereafter. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by $1,918,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by $2,241,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by $771,000.

The annual change in the liability is reflected in the statement of operations and fund equity. The principal components of the change during the year were as follows:

	2004	2003
	(thousands of dollars)	
Provision, beginning of year	$ 22,893	$ 21,248
Increase in liability due to new annuitants during year	1,538	2,264
Net change in liability due to aging and gain from mortality	(129)	(284)
Expected annuity payments with interest	(2,002)	(1,945)
Interest on liabilities	1,202	1,169
Change in interest rate assumption	-	441
Provision, end of year	$ 23,502	$ 22,893

6. Fund Equity

Fund equity is intended as long-term capitalization of the RAF.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2004	2003
	(thousands of dollars)	
Investment income	$ 204	$ 202
Interest income receivable	87	87

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

8. Settlement of Claim

A judgment in the amount of $855,000 was rendered regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The original judgment ruled in favor of PCS Inc. and the amount was accrued during 2000. The court decision was subsequently appealed in 2004. The judgment resulting from the appeal ruled in favor of PCS Inc. The final settlement was paid December 29, 2004 in the amount of $2,021,000 which included additional liability of $1,166,000 relating to interest from January 1, 1994 to the date of payment. Of the additional interest, $1,158,000 was recorded in 2003 and the remaining $8,000 in 2004.

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

a) cash,
b) short-term investments,
c) interest and accounts receivable, and
d) accounts payable

the cost approximates the fair value due to their immediate or short-term maturity.

The fair value of bonds and debentures is estimated based on bid quotations received from security dealers for these or similar investments.

The fair value of the pooled equity funds is based on the quoted market price of the underlying equity investments, normally the current bid price.

The fair value of the provision for annuity benefit cannot be readily determined, however information about this liability is provided in Note 5.

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Financial Statements of

CAPITAL PENSION PLAN
COMBINED

Year ended December 31, 2004

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the combined statement of net assets available for benefits and fund equity of the Capital Pension Plan as at December 31, 2004 and the combined statement of changes in net assets available for benefits and fund equity for the year then ended. These combined financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan as at December 31, 2004 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 22, 2005

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CAPITAL PENSION PLAN

COMBINED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND FUND EQUITY

As at December 31

	2004				2003
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Assets					
Investments at market value (Note 4)	$ 735,182	$ 6,710	$ -	$ 741,892	$ 677,409
Investments at cost (Note 5)	-	-	29,496	29,496	29,185
Total investments	735,182	6,710	29,496	771,388	706,594
Cash	1,568	55	159	1,782	2,209
Contributions receivable	1,355	4	-	1,359	1,320
Interest and dividends receivable	1,381	1	320	1,702	1,910
Capital assets (Note 9)	609	-	-	609	31
Total assets	740,095	6,770	29,975	776,840	712,064
Liabilities					
Accounts payable (Note 13)	256	6	32	294	2,361
Prepaid participants' contributions	68	-	-	68	118
Provision for annuity benefits (Note 10)	-	-	23,502	23,502	22,893
Total liabilities	324	6	23,534	23,864	25,372
Fund equity	-	-	6,441	6,441	4,598
Total liabilities and fund equity	324	6	29,975	30,305	29,970
Net assets available for benefits	$ 739,771	$ 6,764	$ -	$ 746,535	$ 682,094

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Director

CAPITAL PENSION PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND FUND EQUITY

Year ended December 31

	2004					2003
	Diversified Fund	Pre-Retirement Fund	Total Defined Contribution Funds	Retirement Annuity Fund	Total	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 6)	$ 63,810	$ 191	$ 64,001	$ 1,830	$ 65,831	$ 27,103
Contributions and transfers in (Note 7)	23,861	(806)	24,651	1,596	24,651	24,601
Net unrealized change in market value of investments	10,857	-	10,857	1,095	11,952	56,186
	98,528	(615)	97,913	4,521	102,434	107,890
Decrease in Assets						
Withdrawals and transfers out (Note 8)	28,308	2,902	31,210	-	31,210	23,502
Annuity payments	-	-	-	2,005	2,005	1,971
Increase in provision for annuity benefits (Note 10)	-	-	-	609	609	1,645
Operating expenses	2,240	22	2,262	57	2,319	2,207
	30,548	2,924	33,472	2,671	36,143	29,325
Increase (decrease) in Net Assets before the undernoted	67,980	(3,539)	64,441	1,850	66,291	78,565
Settlement of claim (Note13)	-	-	-	(8)	(8)	(1,158)
Increase (decrease) in Net Assets	67,980	(3,539)	64,441	1,842	$ 66,283	$ 77,407
Fund equity, beginning of year	-	-	-	4,599		
Fund equity, end of year	-	-	-	$ 6,441		
Net assets available for benefits, beginning of year	671,791	10,303	682,094			
Net assets available for benefits, end of year	$ 739,771	$ 6,764	$ 746,535			

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2004

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The DF and PRF are defined contribution funds while the RAF offers annuities to members upon retirement. The DF and the PRF are collectively called the Defined Contribution Funds (DCF).

i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF's portfolio is invested solely in money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

iii) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

1. Description of Plan (continued)

c) Crown Investments Corporation of Saskatchewan is the sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur. The DF and PRF have no responsibility to fund any shortfalls in the RAF.

d) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

e) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. Scope of Financial Statements

Separate funds exist for the DCF and the RAF but are subject to common administration. Accordingly, these combined financial statements have been prepared to reflect this common administration. For further information readers should refer to the individual statements of the DCF and the RAF.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Valuation of investments

a) The DCF investments are recorded at market value determined as follows:

i) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on the valuation date are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not listed upon any exchange are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the market value thereof.

Pooled funds are valued based on the quoted market price of the underlying investments.

ii) Short-term investments are valued at cost which approximates their market value.

iii) Mortgages are valued at their net present value using current market based rates of return.

iv) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

3. Significant Accounting Policies (continued)

b) The RAF investments are recorded as follows:

i) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

ii) Investments in pooled equity funds are carried at cost.

iii) Short-term investments are carried at cost.

iv) Investments are written down when there has been a decline in value, which is other than temporary.

Investment transactions and income

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments and the provision for annuity benefits. Actual results could differ from these estimates.

4. Defined Contribution Funds Investments

	2004	2003
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	$ 85,261	$ 73,763
Province of Saskatchewan	1,936	3,509
Other provincial	30,483	27,255
Municipal	665	632
Corporate and convertible	32,836	30,228
	151,181	135,387
Pooled Funds		
Canadian fixed income fund	108,041	92,286
S&P 400 stock index future fund	23,207	-
S&P 500 stock index future fund	52,120	-
Non-North American equity fund	54,626	76,758
	237,994	169,044
Short-term investments	42,623	22,961
Equities	260,810	300,434
Mortgage	628	655
Real estate	41,946	38,765
	735,182	667,246
Pre-Retirement Fund		
Canadian money market fund	6,710	10,163
	$ 741,892	$ 677,409

a) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 2.30% to 3.05% (2003 – 2.60% to 3.59%). Interest is receivable at maturity.

b) Bonds and Debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

4. Defined Contribution Funds Investments (continued)

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2004		2003	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.00 - 5.75%	2.79 - 4.82%	3.00 - 5.75%	2.96 - 5.18%
Province of Saskatchewan	5.75 - 6.40%	5.23 - 5.24%	5.25 - 6.40%	4.01 - 5.59%
Other provincial	4.20 - 6.50%	3.57 - 5.42%	5.00 - 10.00%	2.80 - 5.74%
Corporate and convertible	4.00 - 9.00%	3.32 - 7.00%	4.00 - 9.00%	2.90 - 7.00%

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2004	2003
	(thousands of dollars)	
Government of Canada		
After one through five years	$ 44,652	$ 33,253
After five years	37,426	37,598
Province of Saskatchewan		
After one through five years	-	1,068
After five years	1,702	2,223
Other provincial		
After one through five years	3,845	1,026
After five years	24,252	24,205
Municipal		
After five years	618	618
Corporate and convertible		
Due in one year or less	-	460
After one through five years	11,563	15,153
After five years	19,376	13,082
	$ 143,434	$ 128,686

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $106,662,000 (2003 – $79,423,000) denominated in currencies other than Canadian dollars.

4. Defined Contribution Funds Investments (continued)

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2003 - 5.50%). Principal and interest are receivable on a monthly basis. The term to maturity is 12.67 years (2003 – 13.67 years).

f) Real estate

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $2,037,000 (2003 - $2,022,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

5. Retirement Annuity Fund Investments

a) Retirement Annuity Fund investments consist of the following:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Bonds and debentures	$ 25,160	$ 28,951	$ 24,136	$ 27,329
Pooled equity funds	3,652	5,785	4,606	6,812
Short-term investments	684	684	443	443
	$ 29,496	$ 35,420	$ 29,185	$ 34,584

Bonds and debentures include the following:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	$ 7,340	$ 8,045	$ 8,047	$ 8,627
Province of Saskatchewan	2,315	3,113	2,308	3,058
Other Provincial	14,728	16,985	12,999	14,799
Corporate	777	808	782	845
	$ 25,160	$ 28,951	$ 24,136	$ 27,329

5. Retirement Annuity Fund Investments (continued)

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2004		2003	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	2.22 - 4.92%	0.00 - 10.25	2.68 - 5.38%
Province of Saskatchewan	0.00 - 10.00%	3.89 - 5.24%	0.00 - 10.00%	4.45 - 5.59%
Other provincial	0.00 - 10.13%	2.87 - 5.62%	0.00 - 10.13%	3.29 - 5.78%
Corporate and convertible	8.80 - 10.55%	2.83 - 3.64%	8.80 - 10.55%	3.11 - 4.23%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2004		2003	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
Due in one year or less	$ 158	$ 155	$ 629	$ 650
After one through five years	1,570	1,873	1,080	1,290
After five years	5,612	6,267	6,338	7,239
Province of Saskatchewan				
After five years	2,315	2,419	2,308	2,419
Other Provincial				
After one through five years	596	592	199	200
After five years	14,132	17,967	12,800	16,837
Corporate				
After five years	777	750	782	750
	$ 25,160	$ 30,023	$ 24,136	$ 29,385

5. Retirement Annuity Fund Investments (continued)

b) Pooled equity funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held are as at December 31, 2004:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	$ 2,489	$ 4,715	$ 3,467	$ 5,798
Non-North American equity funds	1,163	1,070	1,139	1,014
	$ 3,652	$ 5,785	$ 4,606	$ 6,812

c) Short-term investments

At December 31, 2004, the Fund had $684,000 (2003 - $443,000) invested in short-term investments with an average rate of 2.41% (2003 - 2.69%).

6. Investment Income

Investment income is comprised of the following:

	2004				2003
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Bond and debenture interest	$ 12,633	$ -	$ 1,725	$ 14,358	$ 13,065
Interest on short-term investments	745	191	15	951	1,267
Interest on mortgages	29	-	-	29	47
Dividends	9,897	-	90	9,987	6,053
Income from real estate	2,965	-	-	2,965	2,514
Gain on sale of bonds and debentures	3,773	-	-	3,773	2,665
Gain on sale of equities	33,676	-	-	33,676	1,530
Gain (loss) on sale of real estate	482	-	-	482	(38)
Loss on sale of short-term investments	(390)	-	-	(390)	-
	$ 63,810	$ 191	$ 1,830	$ 65,831	$ 27,103

7. Contributions and Transfers in

Contributions and transfers in are comprised of the following:

	2004				2003
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	$ 11,054	$ 62	$ -	$ 11,116	$ 10,725
Members' contributions	9,217	45	-	9,262	8,938
Voluntary contributions	864	13	-	877	809
Transfers into the fund	3,349	47	-	3,396	4,129
Interfund transfers	(623)	(973)	1,596	-	-
	$ 23,861	$ (806)	$ 1,596	$ 24,651	$ 24,601

8. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2004				2003
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Withdrawals	$ 28,071	$ 2,902	$ -	$ 30,973	$ 23,472
Transfers to other pension plans	237	-	-	237	30
	$ 28,308	$ 2,902	$ -	$ 31,210	$ 23,502

9. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
		(thousands of dollars)		
Computer equipment	$ 728	$ 126	$ 602	$ 26
Office furniture	25	18	7	5
	$ 753	$ 144	$ 609	$ 31

10. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.25% was used for the first 15 years and 6% thereafter. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by $1,918,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by $2,241,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by $771,000.

The annual change in the liability is reflected in the combined statement of changes in net assets available for benefits and fund equity. The principal components of the change during the year were as follows:

	2004	2003
	(thousands of dollars)	
Provision, beginning of year	$ 22,893	$ 21,248
Increase in liability due to new annuitants during year	1,538	2,264
Net change in liability due to aging and gain from mortality	(129)	(284)
Expected annuity payments with interest	(2,002)	(1,945)
Interest on liabilities	1,202	1,169
Change in interest rate assumption	-	441
Provision, end of year	$ 23,502	$ 22,893

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2004				2003
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	$ 6,668	$ 35	$ -	$ 6,703	$ 6,513
Investment income	137	-	204	341	387
Contributions receivable	411	1	-	412	891
Interest and dividends receivable	34	-	87	121	127

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

12. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2004 Return		Rolling Four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	11.0%	2.4%	6.1%	3.9%
Benchmark rate of return	9.7%	2.3%	3.0%	3.1%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

13. Settlement of claim

A judgment in the amount of $855,000 was rendered regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The original judgment ruled in favor of PCS Inc. and the amount was accrued during 2000. The court decision was subsequently appealed in 2004. The judgment resulting from the appeal ruled in favor of PCS Inc. The final settlement was paid December 29, 2004 in the amount of $2,021,000 which included additional liability of $1,166,000 relating to interest from January 1, 1994 to the date of payment. Of the additional interest, $1,158,000 was recorded in 2003 and the remaining $8,000 in 2004.

14. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments:
a) cash,
b) short-term investments,
c) contributions receivable,
d) interest and dividends receivable, and
e) accounts payable
the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 3 (a).

The fair value of the provision for annuity benefits cannot be readily determined, however information about this liability is provided in note 10.